

## Pakistan and Russia in Gas Cooperation

By [Vladimir Danilov](#)

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*At the end of May, Russia and Pakistan signed a protocol on amending the tariffs of the intergovernmental agreement of October 16, 2015, to construct the Pakistan Stream Gas Pipeline (formerly North-South Gas Pipeline), which should follow through with actual implementation in July. The project will cost \$2-2.5 billion. The 1,100 km long pipeline will connect the liquefied natural gas (LNG) terminals in Karachi in southern Pakistan to Lahore in the north, enabling Pakistan to strengthen its energy security and increase the use of natural gas as an environmentally friendly energy source.*

The construction of the Pakistan Stream Gas Pipeline remains the flagship project of cooperation between Russia and Pakistan in the energy sector. The pipeline will carry regasified LNG up to the north of Pakistan.

With a capacity of 12.4 billion cubic meters, the gas pipeline will receive gas from the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline, which is also yet to be built.

Earlier, Special Assistant to the Prime Minister on Petroleum **Nadeem Babar** said that Pakistan would be represented by gas distribution companies Sui Southern Gas Co. and Sui Northern Gas Pipelines Ltd, which have already started buying out land for the pipeline. The Russian side will carry out the construction work. As reported by The Express Tribune of Pakistan, Pakistan will make maximum use of Russian materials, equipment, and resources to develop the technical and operational capabilities of its own companies and human resources through joint work and team-building events.

According to experts, in the context of the construction of the Pakistan Stream Gas Pipeline, Islamabad will draw off several gas supplies of the other markets, including the European market, where Russia’s position will begin to strengthen. This project differs significantly from other gas transmission projects in Russia, primarily because it does not involve direct supplies of Russian gas. Russia acts as a contractor in this project. For Russia, Pakistan Stream Gas Pipeline is beneficial in several aspects. In particular, the more Pakistan will consume gas, the more this pipeline with the construction of the receiving LNG terminal will draw other suppliers here, primarily Qatar, which dominates in this region. In this way, it will reduce the competition of Russian companies with Qatari companies in the European

and Asian LNG markets and with The Power of Siberia Gas Pipeline on the Chinese market.

As for the supply of Russian gas to Pakistan, it will be possible through exchange transactions with other countries, i.e. spot supplies, when companies exchange gas. In particular, Qatar will give gas to Novatek in Pakistan, and Novatek will give its gas to Qatar in Europe or Asia. In this way, the companies do not spend money on delivery, but fulfill their contractual obligations to their advantage.

Pakistan's choice of Russian contractors was due to the fact that Russia has been building high-quality gas pipelines not only in the country, but also abroad, producing its own entire range of pipes and laying them itself for decades. In the last 10 years alone, Gazprom has built Nord Stream, Nord Stream-2, TurkStream, and The Power of Siberia. Therefore, the good price offered by Russia to implement this project, along with the high quality of already confirmed work, inclined Islamabad to choose Moscow.

It is noteworthy that China, which invests billions of dollars in the Pakistani economy, is not participating in the new gas project. Since the establishment of diplomatic relations between the two countries in 1951, China and Pakistan have been linked by comprehensive cooperation, the basis of which in recent years has been the China-Pakistan Economic Corridor (CPEC), which is part of China's Belt and Road Initiative. The Chinese media points that since its official launch in April 2015, the CPEC has become one of the most popular projects of The Belt and Road Initiative, and Pakistan immediately received an investment of \$25 billion from China. As for China's non-participation in the construction of Pakistan Stream Gas Pipeline, this can be explained quite simply by its lack of experience and technology required to implement such a project.

Islamabad is particularly interested in the construction of the gas pipeline due to the fact that Pakistan's gas consumption in 2020 has already passed the mark of 47 billion cubic meters, although in 2001 the country consumed a modest 19 billion cubic meters.

It is expected that by the early 2030s, Pakistan's gas market deficit will reach an astronomical figure of 40 billion cubic meters of gas per year. This rapid growth in natural gas consumption is due not only to the country's growing population, but also to the accelerated growth of urbanization and the rapid development of national industry. However, Pakistan has extremely limited reserves of oil, gas, and coal, so the only way out of this situation is the ever-increasing import of energy.

In addition, it should not be overlooked that Pakistan has consistently developed automobile transport with a focus on the use of natural gas, and the share of such vehicles in the country is now nearly 70%, which is the second highest in the world.

However, the creation of a traditional pipeline infrastructure for natural gas imports is complicated for Pakistan by issues of interaction with its closest neighbors – primarily with India and Afghanistan. In this situation, LNG imports via offshore terminals have become almost the only way for Pakistan to rapidly increase its energy consumption, and the Russian proposal to build a modern pipeline was expected to be in line with the development of Pakistan's gas industry.

Against the background of anti-Russian sanctions imposed by the US against the Nord Stream-2 pipeline, the signing of the contract to build and operate Pakistan Stream Gas Pipeline is a visible recognition of Russia's success in high technology fields of the gas

industry and a vivid response to the sanctions policy of the U.S. and some of its Western European allies. Therefore, Pakistan Stream Gas Pipeline, associated with the LNG import terminal, is not just another foreign project of Russia, but a promising model of future export sales of Russian gas, despite Washington's intensified attempts to prevent it.

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**Vladimir Danilov** is a political observer, exclusively for the online magazine "[New Eastern Outlook](#)".

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